

THE BALDWIN COMPANY

Cincinnati, April 5, 1937

ANNUAL REPORT TO SHAREHOLDERS

SEVENTY-FOURTH YEAR

To the Shareholders of The Baldwin Company:

Sales for the year 1936, exclusive of small goods and intercompany sales, were \$3,729,889.75, an increase of 19.5% compared with 1935. The business for the year 1936 shows a net profit of \$187,841.06 after deduction for Federal income taxes, interest and depreciation.

Consolidated Balance Sheets as of December 31st, 1936 and 1935 and Analysis of Surplus Accounts for the year 1936 are included herewith. Comparison of these statements reveals changes in the more important items as follows:

Total Current Assets have increased \$119,730.20 compared with a year ago. This is due to an increase in Inventories of \$89,070.43, an increase in the net amount of Notes and Accounts Receivable of \$118,055.35 and a decrease in Cash of \$87,395.58. There also has been an increase in Total Current Liabilities amounting to \$50,530.51 which is made up by increased Accounts Payable of \$3,880.12, increased Accrued Expenses of \$23,951.94, principally due to the new item of Social Security Taxes, and increased Federal Income Tax Reserve of \$22,698.45, due to higher tax rates and larger earnings on which taxes must be paid. The ratio of Current Assets to Current Liabilities continues high, 15.4 to 1.

During 1936 regular dividends of \$6.00 per share were paid on the Preferred Stock and dividends totaling 40 cents per share were paid on the Common Stock. The net increase in the earned surplus after these charges amounted to \$30,139.89. On December 31, 1936, there were 468 Preferred and 246 Common Shareholders.

Factory shipments for the year 1936 continued to increase compared with the previous year. Also there began to develop an increased demand from the public for higher priced merchandise. Indications are that this trend will continue during the year 1937.

In spite of the many and varied problems before us, we look forward with confidence to the year 1937. Unless some unforeseen occurrences should develop, we feel that we shall be able to report satisfactory progress at the end of the year.

Respectfully submitted,

THE BALDWIN COMPANY

Lucien Wulsin, President

**THE BALDWIN COMPANY AND
CONDENSED CONSOLIDATED
AS AT DECEMBER 31, 1936**

ASSETS	December 31, 1936	December 31, 1935
Cash	\$ 157,720.39	\$ 245,115.97
Notes and Accounts Receivable—	\$2,840,050.85	\$2,633,764.88
Less: Dealers' Contingent Equities	521,255.35	482,581.69
	<u>\$2,318,795.50</u>	<u>\$2,151,183.19</u>
Less: Provision for Possible Loss....	473,532.37	423,975.41
	1,845,263.13	1,727,207.78
Inventories	2,045,972.75	1,956,902.32
Total Current Assets.....	<u>\$4,048,956.27</u>	<u>\$3,929,226.07</u>
Plant and Equipment:		
Real Estate and Buildings.....	\$1,198,187.64	\$1,198,187.64
Machinery and Equipment.....	1,008,091.86	996,525.96
	<u>\$2,206,279.50</u>	<u>\$2,194,713.60</u>
Less: Reserve for Depreciation.....	1,351,113.81	855,165.69
	855,165.69	1,308,394.49
Other Assets.....	30,905.00	28,995.00
Deferred Charges to Future Operations	5,500.95	8,354.35
Total Assets.....	<u>\$4,940,527.91</u>	<u>\$4,852,894.53</u>

ANALYSIS OF CONSOLIDATED SURPLUS ACCOUNT

	Total
Balances at January 1, 1936	\$1,533,650.00
Add:	
Net profit for year ended December 31, 1936, before deducting Depreciation and Federal Income Taxes.....	\$ 288,091.81
Adjustment of plant accounts....	3,600.00
Adjustment of Federal Income Tax—Year 1935.....	576.83
	<u>292,268.64</u>
	\$1,825,918.64
Deduct:	
Additions to Depreciation Reserves	\$ 53,720.30
Provision for Federal Income Tax	46,530.45
Dividends on Preferred Stock—Net	108,366.00
Dividends on Common Stock.....	53,512.00
	<u>262,128.75</u>
Balances at December 31, 1936..	<u>\$1,563,789.89</u>

CERTIFICATE

We have audited the books of account and subsidiary companies as at December 31, 1936. Secretary as to the accuracy of the inventories that the above balance sheet reflects the financial subsidiaries at December 31, 1936, and that the

ND SUBSIDIARY COMPANIES
ATED BALANCE SHEETS
5 AND DECEMBER 31, 1935

LIABILITIES AND CAPITAL	December 31, 1936	December 31, 1935
Accounts Payable.....	\$ 143,877.50	\$ 139,997.38
Accrued Expenses:		
Taxes and Wages.....	72,101.58	48,149.64
Federal Income Tax—Current....	46,530.45	23,832.00
Total Current Liabilities.....	\$ 262,509.53	\$ 211,979.02
Mortgage Payable.....	50,000.00	50,000.00
Deferred Credits	71,059.98	63,847.00
Reserve for Contingencies.....	116,769.48	117,019.48
Capital Stock and Surplus:		
Preferred Issue of 1901-1903,		
Authorized	\$ 232,700.00	\$ 232,700.00
Less: In Treasury.....	29,300.00	29,300.00
Preferred Series A, 1924,		
Authorized	\$2,000,000.00	\$2,000,000.00
Less: In Treasury.....	397,300.00	397,300.00
Common	1,070,292.80	1,070,292.80
Capital Surplus	\$ 279,211.87	\$ 279,211.87
Earned Surplus.....	1,284,584.25	1,254,444.36
	4,440,188.92	4,410,049.03
Total Liabilities and Capital.....	\$4,940,527.91	\$4,852,894.53

OUNTS FOR YEAR ENDED DECEMBER 31, 1936

Capital Surplus	Earned Surplus
6.23	\$ 279,211.87
	\$1,254,444.36
	\$ 288,091.81
	3,600.00
	576.83
8.64	292,268.64
4.87	\$ 279,211.87
	\$1,546,713.00
	\$ 53,720.30
	46,530.45
	108,366.00
	53,512.00
8.75	262,128.75
6.12	\$ 279,211.87
	\$1,284,584.25

FICATE

d record of The Baldwin Company and its sub-
accepting a certification from the company's
Subject to this qualification, we hereby certify
ial condition of The Baldwin Company and its
accompanying surplus analysis is correct.

MURPHY, LANIER & QUINN

THE BALDWIN COMPANY

OFFICERS:

Lucien Wulsin.....	President and Treasurer
J. P. Thornton.....	Vice-President
Philip Wyman	Vice-President
A. J. Schoenberger	Secretary
W. H. Smith.....	Asst. Treasurer
C. W. Fessler.....	Asst. Secretary

DIRECTORS:

Lucien Wulsin Cincinnati	Wm. J. Rielly Cincinnati
J. P. Thornton Cincinnati	Philip Wyman Cincinnati
Geo. W. Lawrence Cincinnati	

GENERAL OFFICES:

Gilbert Avenue, Cincinnati
Cable Address: "Baldwinco, Cincinnati"

PRINCIPAL SELLING OFFICES:

Cincinnati	Chicago	New York
St. Louis	Denver	San Francisco
Pittsburgh		Louisville

EXPORT OFFICES:

New York	Cincinnati	San Francisco
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SUBSIDIARY COMPANIES:

The Baldwin Piano Company	The Hamilton Piano Company
The Howard Piano Company	The Monarch Piano Company